

# RETIREES RETURNING TO WORK

## Break-In-Service Guidelines

KTRS retirees who wish to return to work in a non-university or community college KTRS covered position must have a "Break-In-Service" from their last date of employment until the date they return to work after retirement has begun.

### **How is the last day of employment defined?**

*The last date of employment is the last day that duties were performed prior to retirement and not necessarily the last day of the contract period or fiscal year. For classroom teachers employed by local school districts, oftentimes the last date of employment is around June 1, while the contract period ends June 30.*

### **How is the length of the required Break-In-Service determined?**

*The required Break-In-Service depends not only upon whether the retiree returns to work in a full-time position or in a part-time position, but also where the retiree returns to work.*

### **Define part-time position.**

*A part-time position is a position where the retiree works less than 70% of the contract days in the position.*

### **Define full-time position.**

*A full-time position is a position where the retiree works 70% or more of the contract days in the position.*

### **What are the lengths of the required Breaks-In-Service?**

*If the retiree returns to work in a full-time position with the same employer from which they retired, then the required Break-In-Service is one year from the last date of employment.*

*If the retiree returns to work in a full-time position with a different employer from which they retired, then the required Break-In-Service is three months from the last date of employment.*

*If the retiree returns to work in a part-time position regardless of employer, then the required Break-In-Service is three months from the last date of employment.*

### **Examples of Required Breaks-In Service:**

*The required Break-In-Service is not calculated in days. For example, if the last date of employment is May 26, then the retiree may not perform any duties in a part-time position with any district before August 27. Likewise, if the last date of employment is May 26, then the retiree may not perform any duties in a full-time position with a different employer from which they retired before August 27. In the case of returning to full-time employment with the same employer from which they retired, the earliest date to perform any duties is May 27 of the following year. The one-year break in service for returning to full-time employment with the employer from which they retired must be a complete break. Employment with any KTRS employer during the one year after retirement extends the length of time they may return to the same employer from which they retired.*

### **Why is a Break-In-Service necessary?**

*There are two equally important reasons why a Break-In-Service is necessary. The first is to keep the Kentucky Teachers' Retirement System in compliance with Internal Revenue Service (IRS) requirements. The IRS has strict rules regarding a retired teacher receiving in-service distributions. An in-service distribution occurs when an individual draws a retirement allowance from his or her employer before he or she has actually retired with a complete separation from employment. A Break-In-Service is a fundamental prerequisite in demonstrating that a retirement with a complete separation from employment has occurred. Retired members who return to work with a KTRS employer must follow these guidelines the IRS has set forth. Failure to abide by these rules can lead to the IRS disqualifying KTRS' tax-deferred status. This status is very important for members and should not be jeopardized as it permits members to make their retirement contributions to KTRS on a tax-deferred basis. The second reason for Breaks-In-Service is that without them members would naturally "retire" as soon as possible without ever missing a day of work, thereby artificially lowering the retirement age. An artificial lowering of the retirement age would create an actuarial imbalance in the retirement system and a draining of the retirement system funds that are used to pay for everyone's retirement benefits.*

